Supreme Court, U.S.
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No. 01-852

IN THE

Supreme Court of the United States

STATE OF FLORIDA, FLORIDA DEPARTMENT OF TRANSPORTATION, RECCHI AMERICA, INC., THE MURPHY CONSTRUCTION COMPANY, THE HARDAWAY COMPANY, HUBBARD CONSTRUCTION COMPANY, BALFOUR BEATTY CONSTRUCTION, INC., COMMUNITY ASPHALT CORPORATION, and JOELSON CONCRETE PIPE COMPANY, INC.,

Petitioners,

v.

STATE CONTRACTING & ENGINEERING CORPORATION and STATE PAVING CORPORATION,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Petitioners mislead this Court by phrasing their "Question Presented" to facts not applicable to this case. Petitioners concede at page 2 of their Petition for Writ of Certiorari that the real issue in this case is whether the right to "utilize *data* convey[s] a patent license?" (Emphasis Supplied).

The true question presented is limited to: *Whether a grant of rights to "use, duplicate or disclose . . . data" is sufficient to convey a patent license, pursuant to a written contract between the parties.*

STATEMENT PURSUANT TO RULE 29.6

Neither Respondent, State Contracting and Engineering Corporation nor State Paving Corporation, has a parent company and no publicly owned company owns 10% or more of the stock of either corporation.

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IRS Code § 1235 6

INTRODUCTION

Contrary to the assertions of the Petitioners, the decision of the Federal Circuit Court of Appeals ("Federal Circuit") does not require any "magic words" or that the word "patent" be used in order to convey a patent license. The Federal Circuit held that in *this case*, the language of the contract drafted by Petitioner Florida Department of Transportation ("FDOT") conveyed no license to patent rights pursuant to Florida contract law.

Petitioners claim at page 2 of their Petition for Writ of Certiorari that the Federal Circuit committed reversible error by "exposing" FDOT to a sixty-five million dollar patent infringement claim in a decision which "ha[s] significance well beyond the parties to this case." Respondents dispute these contentions. First, Petitioner FDOT is no longer a party to this action because the Federal Circuit affirmed the United States District Court's entry of Summary Judgment of dismissal in favor of the State of Florida/FDOT based upon the claim of sovereign immunity. Consequently, FDOT can suffer no patent infringement liability in this case. Second, the subject contract does not incorporate 48 C.F.R. § 252.227-7013(a)(15) relied upon by the Petitioners in support of their "federalized" introduction. This FAR regulation is factually distinguishable from the contract language interpreted by the Federal Circuit; it has no applicability to this case.

STATEMENT OF THE CASE AND FACTS

It is important for this Court to note that Respondents State Contracting & Engineering Corporation and State Paving Corporation (collectively "State Contracting") and FDOT entered into the subject Value Engineering Change

Proposal supplemental written construction contract in 1990 ("VECP Agreement"). The terms of that agreement, specifically Section 4-3.5.8 of FDOT's Standard Specification of Road and Bridge Construction, 1986 ed. ("Standard Specifications"), were unilaterally modified by FDOT in 1992. Accordingly, that section of the VECP Agreement which was interpreted by the Federal Circuit has not been used by FDOT since 1992. Petitioners failed to provide this proper time line in their statement.

State Contracting takes issue with the Petitioners' mischaracterization, i.e. "all rights to fully utilize [the] 'proposal'," and emphasis, of Section 4-3.5.8. That section, recited below, speaks for itself. State Contracting adds to the Petitioners' statement that while it did not advise FDOT of its patent application filing during the VECP approval process, it had no obligation, contractual or otherwise, to do so. *See State Contracting & Engineering Corp. v. Florida Department of Transportation*, 258 F.3d 1329, 1340 (Fed. Cir. 2001). State Contracting further adds to the Petitioners' statement that it did not advise potential bidders of the pending patent application until September 1992 at which time it first learned that the United States Patent and Trademark Office would allow the first of the two patents to issue.[1] Finally, State Contracting disagrees entirely with the Petitioners' perception that the Federal Circuit "relied heavily" on *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979) and *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), and that it "gleaned" from these cases that FDOT could protect itself from patent infringement liability "only by a specific reference to patents."

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1. The first patent did not issue until 1993.

REASONS FOR DENYING THE WRIT

The Federal Circuit was correct when it opined that a grant of rights to *data* was not sufficient to create an unrestricted patent license, pursuant to a written contract between the parties which stated, in pertinent part:

> In the event of acceptance of a VECP, the Contractor hereby grants to the Department all rights to use, duplicate or disclose, in whole or in part, in any manner and for any purposes whatsoever, and to have or to permit others to do so data and reasonably necessary to fully utilize such proposal on this and any other Department contract.

Standard Specifications § 4-3.5.8. The sole question before this Court is whether the Federal Circuit erred in interpreting the above contract provision. The Federal Circuit, in a carefully worded decision, concluded that the aforementioned language conveyed rights to use data, and that said language did not grant any license of patent rights.

The Petition should be denied because the limited grant of data rights conveyed in the VECP Agreement does not rise to the level of a patent license. The Federal Circuit correctly applied Florida contract law in interpreting the subject contract. *See McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917, 920, 36 U.S.P.Q. 1289, 1291 (Fed. Cir. 1995). It neither struggled with *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 99 S. Ct. 1096, 59 L. Ed. 2d (1979) or *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 94 S. Ct. 1879, 40 L. Ed. 2d 315 (1974), nor interpreted those cases to require the use of the term "patent" to convey a patent license. Rather,

the Federal Circuit simply noted that Supreme Court precedent recognizes a distinction between patent rights and trade secret rights. Petitioners refuse to acknowledge the restrictive term "data" in the VECP Agreement. This word limits the scope of the VECP Agreement grant. Petitioners want to extend the definition of "data" to include patent rights, however, the Federal Circuit correctly held that "data" *does not* mean "patent."

The Federal Circuit concluded that the VECP Agreement: (1) did not convey to FDOT the right to manufacture the sound barriers using plaintiffs' design or manufacturing method; (2) did not require State Contracting to surrender its rights to the technology; (3) did not bar State Contracting from securing a patent on the invention; and (4) did not explicitly convey patent rights. *State Contracting & Engineering Corp.*, 258 F.3d at 1339-40. The Federal Circuit followed that FDOT's failure to provide for the licensing of patent rights in the VECP Agreement was a "glaring omission," given that the parties contemplated the existence of relevant patents. The Federal Circuit interpreted Florida contract law and Sections 4-3.5.8 and 7-3 of the Standard Specifications, and concluded that the parties did not intend to convey patent rights.[2]

Contrary to Petitioners' accusations, the Federal Circuit did *not* state that "magic words" are needed to convey a patent license. The Court merely gave the logical and practical meaning to the language contained in the VECP Agreement and ruled against the private contractor Petitioners.

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2. The Federal Circuit's decision was unanimous. The Petitioners' combined Petition for Panel Rehearing and Petition for Rehearing *en banc* was denied on September 6, 2001.

This case does not present facts similar to those citations relied upon by the Petitioners. For example, in *Amp, Inc. v. United States*, 389 F.2d 448, 156 U.S.P.Q. 647 (Ct. Cl. 1968), there were express clauses in the subject contract pertaining to patents.[3]

Next, petitioners cite *Wang Laboratories, Inc. v. Mitsubishi Electronics America, Inc.*, 103 F.3d 1571, 41 U.S.P.Q.2d 1263 (Fed. Cir. 1997). The *Wang* court was faced with the question of an *implied license*. In *Wang*, the court implied a patent license based upon the conduct of the plaintiff who encouraged the defendant to manufacture the subject patented devices so that the plaintiff could receive an economic advantage in the purchase of those devices. *Wang* did not involve any expressed contract rights, did not involve a VECP agreement, and did not involve the 1990 VECP Agreement. Unlike *Wang*, the Petitioners cannot assert that State Contracting's conduct created an impression that State Contracting consented to FDOT making, using, or selling State Contracting's patented sound wall structures. *See Wang Laboratories, Inc. v. Mitsubishi Electronics America, Inc.*, 103 F.3d at 1579. To the contrary, the competing contractor Petitioners and, through them, FDOT, received notice from State Contracting seeking to enforce its patent rights continuously since 1992.

In *Cardiovascular Diagnostics, Inc. v. Hoehringer Mannheim Corporation*, 985 F. Supp. 615 (E.D.N.C. 1997),

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3. The *Amp* case turns on "Article 38 **Patent Rights**" of the contract therein in which the "Subject Invention" "means any invention, improvement or discovery **(whether or not patentable)**." *Amp, Inc. v. United States*, 389 F.2d at 450 (Emphasis Supplied). It cannot reasonably be disputed that patent rights in the *Amp* contract were a condition of the basis of its bargain.

the license at issue granted the right to use technology with "no limitation on the **manufacture, use, sale** or rights of others to **manufacture, use or sell**. . . ." *Id.* at 617 (Emphasis Supplied). Rights to "manufacture, use or sell" are those patent rights granted under 35 U.S.C. § 154. In the present VECP Agreement, the Federal Circuit expressly recognized the absence of a "right to manufacture" in Standard Specifications § 4-3.5.8. *State Contracting & Engineering Corp.*, 258 F.3d at 1339. Simply put, Petitioners are merely trying to expand the scope of the contract language Petitioner FDOT drafted beyond its logical and clear meaning.

Likewise, in *Joanell Laboratories, Inc. v. United States*, 1979 WL 16468 (Ct. Cl. 1979), the issue presented was not whether "data" included patent rights. The terms of the *Joanell* contracts and the present VECP Agreement are so different that *Joanell* has no applicability to this case. The *Joanell* agreements had an explicit "definition" section for rights in data which is not present in the subject VECP Agreement. The *Joanell* contracts defined, and distinguished, "limited rights" to data and "unlimited rights." There is no such distinction in the present contract.

And while several other cases cited by the Petitioners are equally inapplicable to the present issue, two cases they cite actually support the Federal Circuit's opinion that data are separate and distinct property from any patent issuing on those data. *See, e.g., Ofria v. Commissioner of Internal Revenue*, 77 T.C. 524, 539 (1981) (unpatented data incorporated in value engineering proposal represent valuable property separate from a patent on the data and are taxable as unpatented technology under § 1221 of the IRS Code, and not as a patented property under § 1235); *Rockwell International Corp. v. United States*, 31 Fed. Cl. 70, 80 (1994) ("patent license" and "data license" are two distinct licenses).

Petitioners' reliance on Federal Acquisition Regulation 48 C.F.R. § 252.227-7013(a)(15) and the parade of horribles *vis-a-vis* FDOT's "sixty-five million dollar patent infringement" liability[4] is unfounded. As a matter of fact, the precise language of 48 C.F.R. § 252.227-7013(a)(15) serves as further justification for denying the Petitioners' Writ. That language is clearly distinguishable from the language in the VECP Agreement. The subject federal acquisition regulation entitled "Unlimited Rights" is not a component of the present VECP Agreement. Section 4-3.5.8 does not provide for "unlimited rights."[5] Rather, the rights are limited to the use, duplication or disclosure of *data*, a restriction which Petitioners try to forget. Moreover, the VECP Agreement at issue was executed between FDOT and State Contracting in 1990. Original Section 4-3.5.8 at issue here was unilaterally modified by FDOT in 1992 and it has not been used since. Accordingly, the Petition does not present a "federal" issue of ongoing potential liability for patent infringement. The VECP Agreement at issue is unique to FDOT and State Contracting, and to no other entity.

This Court should not step in and reinterpret the contract clause, and extend it beyond its terms. The Federal Circuit correctly concluded that the VECP Agreement provides a right to data only. The contract comprising more than one-thousand pages was prepared and drafted entirely by Petitioner FDOT. The common law rule that a contract will be construed against the drafter applies to the facts of this case. *See Mastrobuono v.*

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4. The Federal Circuit's decision affirming FDOT's sovereign immunity begs the question how FDOT will be liable at all in this case for patent infringement.

5. 48 C.F.R. § 252.227-7013(a)(15) grants, among other rights, rights to "reproduce" and to "perform" which are rights not granted in Section 4-3.5.8 of the parties' VECP Agreement.

Shearson, Lehman, 514 U.S. 52, 62 (1995). Any contrary ruling would extend the scope of the VECP Agreement beyond its plain and ordinary terms.

CONCLUSION

The Federal Circuit properly applied Florida contract law in construing the VECP Agreement. That contract does not convey a license to State Contracting's patents, in words or substance. Petitioners are improperly attempting to extend the terms of the contract beyond its logical terms. The appellate ruling does not impact any federal regulation, but rather is specific to the 1990 VECP Agreement at issue in this case. Only these parties are affected by the Federal Circuit's opinion. The Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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